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17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

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**MORGAN HILL**

**FINANCE AND AUDIT COMMITTEE**

Morgan Hill Civic Center  
West Conference Room  
17555 Peak Avenue  
Morgan Hill, California

Chair  
Committee Member  
Committee Member  
Staff: Finance Director  
Assistant Finance Director

Mike Roorda  
Dennis Kennedy  
Hedy Chang  
Jack Dilles  
Tina Reza

**SPECIAL MEETING**

**Thursday, December 18 and December 23, 2003**

**MINUTES**

**6:00 P.M.**

**CALL TO ORDER**

Chair Roorda and Committee Member Chang (Committee Member Kennedy absent);  
*Staff:* Dilles

**DECLARATION OF POSTING OF AGENDA**

In compliance with Government Code 54954.2

**PUBLIC COMMENTS**

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

## BUSINESS:

### 1. **Approval of minutes for November 20, 2003**

*The minutes for November 20, 2003, were approved.*

### 2. **Cash Flow and Budget Projections**

*The Committee discussed the status of the City's finances and the fund balance projections provided by staff for the period July 1, 2001 through June 30, 2008, reflecting a projected fund balance for the General Fund. The Committee discussed making recommendations to the City Council for their upcoming annual retreat at which the City's finances would be a major topic of discussion. The Committee proposed making recommendations regarding setting the objective of balancing revenues and expenses, balancing the budget within 5 years (by fiscal 2007/08), and reducing the General Fund's minimum reserve level. The meeting was adjourned at 7:30 PM until Tuesday, December 23, 2004, at 8:30 AM.*

**The meeting was reconvened at 8:35 AM on Tuesday, December 23, 2003,** with all Committee members present, along with staff City Manager Ed Tewes and Assistant Finance Director Tina Reza.

*The Committee agreed that the primary objective is to achieve a "soft landing" closing the gap between revenues and expenditures to balance the General Fund budget by June 30, 2008. After much discussion, the Committee recommended that reserves should be set at a minimum of 25% for fiscal 2007/08. The Committee indicated that they need more information about the incremental cost of operations and maintenance and of Redevelopment Agency projects and all Capital Improvement Programs on the General Fund. The Committee indicated that consideration should be given to postponing Fire Contract cost increases that might occur as a result of renegotiating the existing County Fire contract until fiscal 2005/06.*

*The Committee unanimously approved a motion to have Chair Roorda to produce slides for a set of recommendations to be presented to the City Council at their annual retreat, and for the slides to show that revenues equal expenditures within five years (by fiscal 2007/08) and show a minimum reserve level of 25% for fiscal 2007/08.*

*It was noted that the Redevelopment Agency is expected to reach its tax increment cap of \$247 million in 2007/08, and Committee Members inquired as to what is expected for the General Fund as a result of this milestone.*

### 3. **Potential Revenue Increases and Timing (Discussion)**

*This item was not discussed*

### 4. **Water Rates Analysis**

*This item was not discussed*

5. **Financial and Investment Report for November 2003**  
*This item was not discussed.*
6. **Financial Statements for 2002/03**  
*This item was not discussed.*
7. **Web Posting of Treasurer's Quarterly Report (Discussion)**  
*This item was not discussed*
8. **Future Agenda Items (Discussion)**  
*None.*

**ADJOURNMENT: 11:40 A.M.**

**NOTICE**  
**AMERICANS WITH DISABILITY ACT (ADA)**

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.